

CALHOUN COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

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CALHOUN COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2011)		
Scott Jacobs	Board of Supervisors	Jan. 2011
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2013
Gary Nicholson	Board of Supervisors	Jan. 2013
Judy Howrey	County Auditor	Jan. 2013
Lori Erkenbrack	County Treasurer	Jan. 2011
Kathy Bennett	County Recorder	Jan. 2011
William A. Davis	County Sheriff	Jan. 2013
Cynthia Voorde	County Attorney	Jan. 2011
Joan Wagner	County Assessor	Jan. 2016
(After January 2011)		
Dean G. Hoag, Sr.	Board of Supervisors	Jan. 2013
Gary Nicholson	Board of Supervisors	Jan. 2013
Scott Jacobs	Board of Supervisors	Jan. 2015
Judy Howrey	County Auditor	Jan. 2013
Lori Erkenbrack	County Treasurer	Jan. 2015
Kathy Bennett	County Recorder	Jan. 2015
William A. Davis	County Sheriff	Jan. 2013
Cynthia Voorde	County Attorney	Jan. 2015
Joan Wagner	County Assessor	Jan. 2016

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Calhoun County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2012, on our consideration of Calhoun County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 11 and 39 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ending June 30, 2002 (which are not presented herein), and expressed qualified opinions on those financial statements because the materials and supplies inventory were not included. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for each of the years in the eight year period ending June 30, 2010 (which are not presented herein), and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 14, 2012

Henzelman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calhoun County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 8.6%, or \$1,294,438, from fiscal 2010 to fiscal 2011. Charges for services increased \$31,469, operating grants and contributions increased \$2,515,483, property tax increased \$344,536, unrestricted investment earnings decreased \$2,489, and capital grants and contributions decreased \$1,701,639.
- Program expenses of the County's governmental activities were 19.9%, or \$2,660,056, less in fiscal 2011 than in fiscal 2010.
- The County's net assets increased 29.1%, or \$5,642,554 from June 30, 2010, to June 30, 2011.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Calhoun County as a whole and present an overall view of the County's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Calhoun County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Calhoun County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three categories of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, and Secondary Roads, and 3) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets, and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Calhoun County's combined net assets for fiscal year 2011 totaled approximately \$25 million, increasing from \$19.3 million for fiscal year 2010. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 16,618,536	\$ 12,945,806
Capital assets	<u>16,602,893</u>	<u>14,835,418</u>
Total assets	<u>33,221,429</u>	<u>27,781,224</u>
Long-term liabilities	902,196	1,465,834
Other liabilities	<u>7,322,290</u>	<u>6,961,001</u>
Total liabilities	<u>8,224,486</u>	<u>8,426,835</u>
Net assets		
Invested in capital assets	16,602,893	14,835,418
Restricted	7,121,351	3,397,929
Unrestricted	<u>1,272,699</u>	<u>1,121,042</u>
Total net assets	<u>\$ 24,996,943</u>	<u>\$ 19,354,389</u>

Net assets of Calhoun County's governmental activities increased by \$5,642,554 from fiscal year 2010. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Changes in Net Assets of Governmental Activities

	Year Ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 1,337,719	\$ 1,306,250
Operating grants, contributions, and restricted interest	6,923,055	4,407,572
Capital grants, contributions, and restricted interest	1,520,455	3,222,094
General revenues:		
Property tax	5,883,440	5,538,904
Penalty and interest on property tax	47,196	42,823
State tax credits	261,994	247,802
Local option sales tax	236,301	138,808
Unrestricted investment earnings	144,425	146,914
Other general revenues	16,239	25,219
Total revenues	<u>16,370,824</u>	<u>15,076,386</u>
Program expenses:		
Public safety and legal services	1,760,577	1,837,215
Physical health and social services	2,168,694	2,568,441
Mental health	1,258,467	1,047,494
County environment and education	686,840	651,243
Roads and transportation	2,881,343	4,901,078
Governmental services to residents	500,684	481,213
Administration	1,256,798	1,204,275
Non-program	167,783	628,805
Interest on long-term debt	47,084	62,229
Total expenses	<u>10,728,270</u>	<u>13,381,993</u>
Increase in net assets	5,642,554	1,694,393
Net assets beginning of year, as restated	<u>19,354,389</u>	<u>17,659,996</u>
Net assets end of year, as restated	<u>\$ 24,996,943</u>	<u>\$ 19,354,389</u>

Calhoun County decreased property taxes from a total levy of 11.84574 to 11.79691 from fiscal year 2010 to fiscal year 2011.

INDIVIDUAL MAJOR FUND ANALYSIS

As Calhoun County completed the year, its governmental funds reported a combined fund balance of \$9,169,844, an increase of \$3,472,428 from last year's total of \$5,697,416. Changes in fund balances of the major funds from the prior year are as follows:

- General Fund revenues increased by \$53,278 and expenditures decreased by \$412,791. The General Fund ending balance increased by \$531,733 from the prior year to \$3,529,148. The Board of Supervisors only appropriated 95% or less for departments in the General Basic fund in order to increase the fund balance.
- Mental Health Fund revenues increased by \$44,364. Mental health expenditures increased \$204,168. The fund balance at the end of fiscal year 2011 was \$246,242. The County is restricted as to how much they can levy in this area and the state only provides a limited amount of support so the expenditures can only be paid from these two sources.

- Rural Services Fund ending balance decreased \$74,489 from the prior year.
- Secondary Roads Fund revenues increased \$2,967,224 and expenditures increased \$52,587. The ending fund balance of \$3,697,103 was a \$2,871,908 increase from the prior year due to the amount received from the state for the transfer of jurisdiction for Highway 20 from the state to the County.
- Conservation Trust Fund balance decreased \$41,542 during the year because camping fees are now recorded in the General Basic fund and there were expenditures during the year for an addition to a garage, playground equipment, and a cabin.
- Capital Projects Fund expenditures increased \$287,395 from fiscal year 2010 to fiscal year 2011 due to the new EMS building constructed during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Calhoun County amended its budget two times. There were various reasons for the amendments including: medical examiner expenses, County Attorney clerical, computer programs and health insurance, substance abuse treatment, Sheriff costs, and mental health services. Roads and transportation budget was increased because of equipment, fuel and gravel, and computer expenses.

Even with these amendments, the County exceeded the amounts budgeted in the roads and transportation function.

CAPITAL ASSETS

At June 30, 2011, Calhoun County had approximately \$16.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads, and bridges.

Capital Assets of Governmental Activities at Year End

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 565,548	\$ 565,548
Buildings and improvements	1,067,870	1,110,201
Equipment and vehicles	3,891,603	4,126,015
Intangibles	75,904	92,748
Construction in progress	310,135	2,641,367
Infrastructure, road network	<u>10,691,833</u>	<u>6,299,539</u>
Total	<u>\$ 16,602,893</u>	<u>\$ 14,835,418</u>

The County had depreciation expense of \$1,265,650 in fiscal year 2011, and total accumulated depreciation of \$7,044,921 at June 30, 2011.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Calhoun County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget and tax rates. One of the factors concerning Calhoun County is the age of the population. The census for 2000 was 11,115, and 2010 was 9,670. The aging population was taken into consideration by the Health Department and the grants that would be the most beneficial concerning this factor.

All departments budget very conservatively. The Board asked that the budgets remain the same for fiscal year 2011/2012. Also, there was a 2% increase for wages due to the economy. There was no projected increase in the cost of health care benefits which has been the same now for three years due to self funding.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Calhoun County's finances and to show the County's accountability for the money it receives. If you have any questions, contact the Calhoun County Auditor's Office, 416 Fourth St., Ste 1, Rockwell City, Iowa, 50579.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit A

Governmental
Activities

ASSETS

Cash and pooled investments	\$ 8,413,785
Receivables (net of allowances for uncollectibles):	
Property tax:	
Delinquent	17,137
Succeeding year	6,070,753
Interest and penalty on property tax	56,660
Accounts	479,307
Accrued interest	26,562
Notes	23,375
Drainage assessments	292,630
Due from other governments	248,142
Inventories	919,228
Prepaid expenses	70,957
Land	565,548
Construction in progress	310,135
Capital assets (net of accumulated depreciation/amortization)	15,727,210
Total Assets	<u>\$ 33,221,429</u>

LIABILITIES

Accounts payable	539,009
Salaries and benefits payable	137,524
Due to other governments	225,420
Interest payable	50,699
Deferred revenue:	
Succeeding year property tax	6,070,753
Other	298,885
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	473,917
Portion due or payable after one year:	
Drainage warrants payable	418,123
Net OPEB liability	10,156
Total liabilities	<u>8,224,486</u>

NET ASSETS

Invested in capital assets	16,602,893
Restricted for:	
Supplemental levy purposes	1,906,756
Secondary roads purposes	3,484,538
Other purposes	1,730,057
Unrestricted	1,272,699
Total net assets	<u>\$ 24,996,943</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Exhibit B

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	
Functions/Programs					
Governmental activities:					
Public safety and legal services	\$ 1,760,577	\$ 111,148	\$ 74,262	\$ -	\$ (1,575,167)
Physical health and social services	2,168,694	742,428	776,826	-	(649,440)
Mental health	1,258,467	3,393	776,231	-	(478,843)
County environment and education	686,840	121,961	9,148	-	(555,731)
Roads and transportation	2,881,343	133,945	5,281,614	447,726	2,981,942
Governmental services to residents	500,684	189,884	2,003	-	(308,797)
Administration	1,256,798	34,960	2,971	-	(1,218,867)
Non-program	167,783	-	-	1,072,729	904,946
Interest on long-term debt	47,084	-	-	-	(47,084)
Total	<u>\$10,728,270</u>	<u>\$ 1,337,719</u>	<u>\$ 6,923,055</u>	<u>\$ 1,520,455</u>	<u>(947,041)</u>
General Revenues:					
Property and other county tax					5,883,440
Penalty and interest on property tax					47,196
State tax credits					261,994
Local option sales tax					236,301
Unrestricted investment earnings					144,425
Miscellaneous					16,239
Total general revenues					<u>6,589,595</u>
Change in net assets					5,642,554
Net assets beginning of year, as restated					<u>19,354,389</u>
Net assets end of year					<u>\$ 24,996,943</u>

See notes to financial statements.

CALHOUN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

Exhibit C

	Special Revenue					Capital	Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Conservation Trust	Projects	Special Revenue	Total
<u>ASSETS</u>								
Cash and pooled investments	\$ 2,994,481	\$ 452,699	\$ 368,332	\$2,757,613	\$ 478,856	\$ 432,217	\$ 504,591	\$ 7,988,789
Receivables:								
Property tax:								
Delinquent	22,560	2,373	1,561	-	-	-	-	26,494
Succeeding year	3,983,506	410,319	1,676,928	-	-	-	-	6,070,753
Interest and penalty on property tax	63,867	-	-	-	-	-	-	63,867
Accounts	462,475	-	5,450	-	165	6,210	3,774	478,074
Accrued interest	26,545	-	-	-	-	-	6	26,551
Notes	23,375	-	-	-	-	-	-	23,375
Drainage assessments	-	-	-	-	-	-	292,630	292,630
Due from other governments	47,936	-	-	83,368	-	106,777	10,061	248,142
Inventories	-	-	-	919,228	-	-	-	919,228
Prepaid expenses	116,361	982	937	60,722	-	-	-	179,002
Total assets	<u>\$ 7,741,106</u>	<u>\$ 866,373</u>	<u>\$2,053,208</u>	<u>\$3,820,931</u>	<u>\$ 479,021</u>	<u>\$ 545,204</u>	<u>\$ 811,062</u>	<u>\$16,316,905</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ 36,432	\$ 10,775	\$ 12,801	\$ 68,869	\$ 12,362	\$ 135,162	\$ 3,273	\$ 279,674
Salaries and benefits payable	73,402	3,435	5,638	55,049	-	-	-	137,524
Due to other governments	32,191	193,229	-	-	-	-	-	225,420
Interest payable	-	-	-	-	-	-	50,699	50,699
Deferred revenue:								
Succeeding year property tax	3,983,506	410,319	1,676,928	-	-	-	-	6,070,753
Other	86,427	2,373	1,561	-	-	-	292,630	382,991
Total liabilities	<u>4,211,958</u>	<u>620,131</u>	<u>1,696,928</u>	<u>123,918</u>	<u>12,362</u>	<u>135,162</u>	<u>346,602</u>	<u>7,147,061</u>
Fund balances:								
Nonspendable								
Inventories	-	-	-	919,228	-	-	-	919,228
Prepaid expenses	116,361	982	937	60,722	-	-	-	179,002
Restricted for:								
Supplemental levy purposes	1,906,756	-	-	-	-	-	-	1,906,756
Mental health purposes	-	245,260	-	-	-	-	-	245,260
Rural services purposes	-	-	355,343	-	-	-	-	355,343
Secondary roads purposes	-	-	-	2,141,476	-	-	-	2,141,476
Other purposes	-	-	-	-	-	-	414,460	414,460
Assigned for:								
Secondary roads gravel and vehicles	-	-	-	575,587	-	-	-	575,587
Conservation capital improvements	-	-	-	-	466,659	-	-	466,659
Capital projects	-	-	-	-	-	232,996	-	232,996
Park road and pad improvements	-	-	-	-	-	-	50,000	50,000
Unassigned	1,506,031	-	-	-	-	177,046	-	1,683,077
Total fund balances	<u>3,529,148</u>	<u>246,242</u>	<u>356,280</u>	<u>3,697,013</u>	<u>466,659</u>	<u>410,042</u>	<u>464,460</u>	<u>9,169,844</u>
Total liabilities and fund balances	<u>\$ 7,741,106</u>	<u>\$ 866,373</u>	<u>\$2,053,208</u>	<u>\$3,820,931</u>	<u>\$ 479,021</u>	<u>\$ 545,204</u>	<u>\$ 811,062</u>	<u>\$16,316,905</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit D

Total governmental fund balances	\$ 9,169,844
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$23,647,814 and the accumulated depreciation/amortization is \$7,044,921.	16,602,893
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	90,362
The allowance for uncollectible accounts receivable is not reported in the governmental funds.	(16,562)
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Assets.	52,602
Compensated absences payable, other postemployment benefits payable, and drainage warrants payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(902,196)</u>
Net assets of governmental activities	<u>\$24,996,943</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

Exhibit E

		Special Revenue				Capital	Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Conservation Trust	Projects	Special Revenue	Total
Revenues:								
Property and other County tax	\$3,877,762	\$ 407,935	\$1,597,100	\$ 118,151	\$ -	\$ -	\$ 41,724	\$6,042,672
Interest and penalty on property tax	36,895	-	-	-	-	-	-	36,895
Intergovernmental	1,232,366	795,108	69,106	5,567,128	-	250,077	9,708	7,923,493
Licenses and permits	11,517	-	-	7,645	-	-	-	19,162
Charges for services	841,842	-	20,774	-	325	-	10,392	873,333
Use of money and property	138,039	-	-	-	329	-	85	138,453
Miscellaneous	24,189	893	-	44,625	750	-	828,723	899,180
Total revenues	<u>6,162,610</u>	<u>1,203,936</u>	<u>1,686,980</u>	<u>5,737,549</u>	<u>1,404</u>	<u>250,077</u>	<u>890,632</u>	<u>15,933,188</u>
Expenditures:								
Operating:								
Public safety and legal services	1,389,964	-	320,605	-	-	-	1,058	1,711,627
Physical health and social services	2,133,171	-	-	-	-	-	-	2,133,171
Mental health	-	1,251,283	-	-	-	-	-	1,251,283
County environment and education	445,356	-	151,284	-	-	-	-	596,640
Roads and transportation	1,550	-	40,889	4,219,743	-	-	-	4,262,182
Governmental services to residents	461,843	-	1,248	-	-	-	3,606	466,697
Administrative	898,788	-	1,016	-	-	-	-	899,804
Non-program	4,050	-	-	-	-	-	210,817	214,867
Capital projects	-	-	-	-	42,946	355,494	-	398,440
Total expenditures	<u>5,334,722</u>	<u>1,251,283</u>	<u>515,042</u>	<u>4,219,743</u>	<u>42,946</u>	<u>355,494</u>	<u>215,481</u>	<u>11,934,711</u>
Excess (deficiency) of revenues over expenditures	<u>827,888</u>	<u>(47,347)</u>	<u>1,171,938</u>	<u>1,517,806</u>	<u>(41,542)</u>	<u>(105,417)</u>	<u>675,151</u>	<u>3,998,477</u>
Other financing sources (uses):								
Sale of capital assets	-	-	-	10,085	-	-	-	10,085
Operating transfers in	-	-	15,693	1,359,710	-	92,476	106,089	1,573,968
Operating transfers out	(296,155)	-	(1,262,120)	(15,693)	-	-	-	(1,573,968)
Drainage district warrants	-	-	-	-	-	-	(536,134)	(536,134)
Total other financing sources (uses)	<u>(296,155)</u>	<u>-</u>	<u>(1,246,427)</u>	<u>1,354,102</u>	<u>-</u>	<u>92,476</u>	<u>(430,045)</u>	<u>(526,049)</u>
Net change in fund balances	531,733	(47,347)	(74,489)	2,871,908	(41,542)	(12,941)	245,106	3,472,428
Fund balances, beginning of year	<u>2,997,415</u>	<u>293,589</u>	<u>430,769</u>	<u>825,105</u>	<u>508,201</u>	<u>422,983</u>	<u>219,354</u>	<u>5,697,416</u>
Fund balances, end of year	<u>\$3,529,148</u>	<u>\$ 246,242</u>	<u>\$ 356,280</u>	<u>\$ 3,697,013</u>	<u>\$ 466,659</u>	<u>\$ 410,042</u>	<u>\$ 464,460</u>	<u>\$9,169,844</u>

See notes to financial statements.

CALHOUN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Exhibit F

Net change in fund balances - Total governmental funds		\$ 3,472,428
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$3,033,625	
Depreciation/amortization expense	<u>(1,265,650)</u>	1,767,975
In the Statement of Activities, the net effect of various transactions involving capital assets (i.e., sales and trade-ins) is reflected in depreciation expense, whereas the governmental funds report any proceeds from the disposition of assets as an increase in financial resources.		(500)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:		
Property tax		11,359
The increase in the allowance for uncollectible accounts receivable is not reported in the fund financial statements.		(414)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:		
Issued drainage district warrants	\$ (207,735)	
Redeemed drainage district warrants	<u>743,869</u>	536,134
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences		32,547
Other post employment benefits		(5,043)
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.		<u>(171,932)</u>
Change in net assets of governmental activities		<u>\$ 5,642,554</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

Exhibit G

	Internal Service Employee Group Health
<u>ASSETS</u>	
Cash and cash equivalents	\$ 424,997
Accounts receivable	1,233
Accrued interest	<u>8</u>
Total assets	<u>426,238</u>
 <u>LIABILITIES</u>	
Accounts payable	259,336
Deferred revenue	<u>114,300</u>
Total liabilities	<u>373,636</u>
 <u>NET ASSETS</u>	
Unrestricted	<u>\$ 52,602</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

Exhibit H

	Internal Service Employee Group Health
Operating revenues:	
Reimbursements from operating funds	\$ 1,333,012
Reimbursements from employees and others	74,261
Insurance reimbursements	<u>120,160</u>
Total operating revenues	1,527,433
Operating expenses:	
Medical claims and administrative fees	<u>1,705,336</u>
Operating loss	(177,903)
Non-operating revenues:	
Interest income	<u>5,971</u>
Net loss	(171,932)
Net assets beginning of year	<u>224,534</u>
Net assets end of year	<u>\$ 52,602</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

Exhibit I

	Internal Service Employee Group Health
Cash flows from operating activities:	
Cash received from employees and others	\$ 74,261
Cash received from insurance reimbursements	118,927
Cash received from operating fund reimbursements	1,338,805
Cash payments for medical claims and administrative fees	<u>(1,700,181)</u>
Net cash used for operating activities	(168,188)
 Cash flows from investing activities:	
Interest on investments	<u>5,986</u>
 Net decrease in cash and cash equivalents	(162,202)
 Cash and cash equivalents, beginning of year	<u>587,199</u>
 Cash and cash equivalents, end of year	<u>\$ 424,997</u>
 Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (177,903)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Increase in accrued revenue	(1,233)
Increase in accrued expenses	5,155
Increase in deferred revenue	<u>5,793</u>
 Net cash used for operating activities	<u>\$ (168,188)</u>

See notes to financial statements.

CALHOUN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2011

Exhibit J

ASSETS

Cash and pooled investments:

County Treasurer	\$ 624,801
Other County officials	58,834

Receivables:

Property tax:

Delinquent	94,902
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Succeeding year	10,917,566
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Accounts	12,818
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Due from other governments	9,379
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Total assets	<u>11,718,300</u>
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LIABILITIES

Accounts payable	448
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Salaries payable	6,792
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Due to other governments	11,706,343
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Trusts payable	4,717
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Total liabilities	<u>11,718,300</u>
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Net Assets	<u>\$ -</u>
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See notes to financial statements.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Calhoun County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Calhoun County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Calhoun County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Three hundred twenty-one drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Calhoun County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Calhoun County Auditor's office.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Calhoun County Assessor's Conference Board, Calhoun County Joint Disaster Services Commission, Calhoun County Landfill Authority, and Calhoun County E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets consists of capital assets net of accumulated depreciation/amortization.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Special Revenue: (Continued)

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Conservation Trust Fund is used to account for conservation activities including parks and trails.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting- (Continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009, assessed property valuations; is for the tax accrual period July 1, 2010, through June 30, 2011, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepays - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the Government-wide and fund financial statements on the consumption method.

Capital Assets - Capital assets, which include property, equipment and vehicles, intangibles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Calhoun County was not required to report its infrastructure assets retroactively and it elected not to do so. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Intangibles	50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Capital Assets – (Continued)

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-200
Building improvements	10-50
Infrastructure	10-65
Intangibles	10
Equipment	4-50
Vehicles	6-10

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable - Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of succeeding year property tax receivable, as well as delinquent property tax receivable not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and contributions from external customers in the Employee Group Health Fund.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide, proprietary fund, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Net Assets - The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the Roads and Transportation function.

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2011, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement Number 3.

The County's investments at June 30, 2011, include drainage district warrants with a carrying amount of \$161,418. Market value for these warrants is not readily available.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,950,754 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

2. CASH AND POOLED INVESTMENTS- (Continued)

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 97,590
	Special Revenue:	
	Rural Services	<u>1,262,120</u>
		1,359,710
Rural Services	Secondary Roads	15,693
Local Option Sales Tax	General	106,089
Capital Projects	General	<u>92,476</u>
Total		<u>\$ 1,573,968</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 565,548	\$ -	\$ -	\$ 565,548
Construction in progress	<u>2,641,367</u>	<u>344,514</u>	<u>2,675,746</u>	<u>310,135</u>
Total capital assets not being depreciated/amortized	<u>3,206,915</u>	<u>344,514</u>	<u>2,675,746</u>	<u>875,683</u>
Capital assets being depreciated/amortized:				
Buildings	1,722,986	-	-	1,722,986
Equipment and vehicles	8,104,318	310,775	247,330	8,167,763
Intangibles	168,465	-	-	168,465
Infrastructure, road network	<u>7,659,335</u>	<u>5,053,582</u>	<u>-</u>	<u>12,712,917</u>
Total capital assets being depreciated/amortized	<u>17,655,104</u>	<u>5,364,357</u>	<u>247,330</u>	<u>22,772,131</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

4. CAPITAL ASSETS- (Continued)

Less accumulated depreciation/amortization for:

Buildings	\$ 612,785	\$ 42,331	\$ -	\$ 655,116
Equipment and vehicles	3,978,303	545,187	247,330	4,276,160
Intangibles	75,717	16,844	-	92,561
Infrastructure, road network	1,359,796	661,288	-	2,021,084
Total accumulated depreciation/amortization	<u>6,026,601</u>	<u>1,265,650</u>	<u>247,330</u>	<u>7,044,921</u>
Total capital assets being depreciated/amortized, net	<u>11,628,503</u>	<u>4,098,707</u>	<u>-</u>	<u>15,727,210</u>
Governmental activities capital assets, net	<u>\$14,835,418</u>	<u>\$ 4,443,221</u>	<u>\$ 2,675,746</u>	<u>\$16,602,893</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 44,472
Physical health and social services	16,180
County environment and education	42,627
Roads and transportation	1,087,224
Governmental services to residents	17,766
Administration	<u>57,381</u>

Total depreciation/amortization expense--governmental activities \$ 1,265,650

5. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 32,191
Special Revenue:		
Mental Health	Services	<u>193,229</u>
Total for governmental funds		<u>\$ 225,420</u>
Agency:		
County Assessor	Collections	\$ 307,756
Schools		7,542,170
Community Colleges		507,623
Corporations		2,535,160
Auto License and Use Tax		267,106
All other		<u>546,528</u>
Total for agency funds		<u>\$ 11,706,343</u>

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2011, is as follows:

	<u>Drainage Warrants</u>	<u>Net OPEB Liability</u>	<u>Compen- sated Absences</u>	<u>Total</u>
Balance, beginning of year	\$ 954,257	\$ 5,113	\$ 506,464	\$ 1,465,834
Increases	207,735	5,043	-	212,778
Decreases	743,869	-	32,547	776,416
Balance, end of year	<u>\$ 418,123</u>	<u>\$ 10,156</u>	<u>\$ 473,917</u>	<u>\$ 902,196</u>
Due within one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 473,917</u>	<u>\$ 473,917</u>

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

7. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual salary and the County is required to contribute 6.95% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$289,464, \$285,913, and \$268,355, respectively, equal to the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefit plan which provides medical, prescription drug, and dental benefits for employees, retirees, and their spouses. There are 99 active and 4 retired members in the plan. Retired participants must have accumulated 20 years of service or have attained age 62 at retirement. Benefits cease upon attaining age 65. The plan does not issue a stand-alone financial report.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)- (Continued)

The medical, prescription drug, and dental coverage, which is a medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. Retirees pay the full premium. The current funding policy of the County is to pay health claims as they occur. The required contribution is based on projected pay-as-you go financing. Retirees receiving benefits have required monthly contributions of:

<u>Rate Tier</u>	<u>Health and Prescription Drug</u>	<u>Dental</u>
Retiree only	\$ 488	\$ 27
Retiree and family	1,071	54

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 5,919
Interest on net OPEB obligation	230
Adjustment to annual required contribution	<u>(300)</u>
Annual OPEB cost	5,849
Contributions made	<u>(806)</u>
Increase in net OPEB obligation	5,043
Net OPEB obligation beginning of year	<u>5,113</u>
Net OPEB obligation end of year	<u>\$ 10,156</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 5,919	13.62%	\$ 5,113
June 30, 2011	\$ 5,849	13.78%	\$ 10,156

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)- (Continued)

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$52,892, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$52,892. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,900,125 and the ratio of the UAAL to covered payroll was 1.35%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on 20% for actives currently electing coverage.

Projected claim costs of the medical plan are \$674 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. RISK MANAGEMENT

Calhoun County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

9. RISK MANAGEMENT - (Continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2011, were \$165,694.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$40,000, respectively, except that the treasurer's bond is in the amount of \$160,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

10. EMPLOYEE HEALTH INSURANCE PLAN- (Continued)

Monthly payments of service fees and plan contributions in the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2011, was \$1,333,012.

Amounts payable from the Employee Group Health Fund at June 30, 2011, total \$259,336, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	<u>\$ 254,180</u>
Incurred claims (including claims incurred but not reported at June 30, 2011):	
Current year events	<u>1,710,493</u>
Total incurred claims	<u>1,710,493</u>
Payments:	
Current year events	1,451,157
Prior year events	<u>254,180</u>
Total payments	<u>1,705,337</u>
Unpaid claims end of year	<u>\$ 259,336</u>

11. E911 NOTE PAYABLE

During the year ended June 30, 2003, Calhoun County loaned \$318,000 to the Calhoun County E911 Service Board. The ten year loan is interest free and is being paid off at a rate of \$35,000 (four quarterly payments of \$8,750) per year for each of the first nine years with the balance of \$3,000 to be paid during the tenth year. During the year ended June 30, 2011, the County received payments totaling \$23,375. The balance of the note on June 30, 2011, was \$23,375.

12. COMMITMENTS

The County has entered into the following contracts prior to June 30, 2011, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6/30/11</u>	<u>Remaining Commitment As of 6/30/11</u>
Ambulance building	\$ 459,236	\$ 302,370	\$ 156,866
Gravel	\$ 417,000	\$ -	\$ 417,000
Courthouse windows	\$ 49,851	\$ -	\$ 49,851

The balance remaining at June 30, 2011, will be paid as work on the projects progresses.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

13. FARM LEASE

The County has entered into an agreement to lease 241.07 acres of farmland which it owns situated in Calhoun County. This cash lease arrangement is at a rate of \$71,115 per year for each of the three years of the lease with payments of \$23,705 being due on or before each March 15, August 15, and December 1, of 2011, 2012, and 2013. This agreement commenced on March 1, 2011, and will end on February 28, 2014.

14. JUVENILE DETENTION CENTER

The County participates in Central Iowa Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The primary purpose of this detention facility is to provide a physically secure, emotionally stable, and safe environment in which juveniles can await court disposition. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the basis of cash receipts and disbursements, and the transactions of the Center are not included in the financial statements of the County.

The Center's activity for the fiscal year ending June 30, 2010, which is the latest information available, is summarized as follows:

Net assets, beginning of year	\$ 181,854
Receipts	4,926,781
Disbursements	<u>4,918,781</u>
Net assets, end of year	<u>\$ 189,854</u>

During the year ended June 30, 2010, the Center approved a business line of credit with a bank for a maximum of \$500,000. At June 30, 2010, the balance outstanding on the bank line of credit was \$499,500 and the balance outstanding on the revenue note issued in fiscal year 2008 was \$403,488.

15. OPERATING LEASE

Calhoun County leases digital imaging equipment for its public health department; ambulance buildings in three cities; and office space for the county attorney. Total expenses under these operating leases for the year ended June 30, 2011, was \$19,138, of which \$15,188 was minimum lease payments. Future remaining minimum lease payments under these leases at June 30, 2011, are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 8,076
2013	8,076
2014	7,448
2015	1,188
2016	<u>1,188</u>
Total minimum lease payments	<u>\$ 25,976</u>

16. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CALHOUN COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

17. ACCOUNTING RESTATEMENT

Beginning net assets for governmental activities has been restated to reflect a change in capital assets. This restatement is summarized below.

Net assets, June 30, 2010, as previously reported	\$ 19,348,056
Restatement of beginning net assets	<u>6,333</u>
Restated net assets, June 30, 2010	<u>\$ 19,354,389</u>

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES – BUDGET
AND ACTUAL (CASH BASIS) – ALL GOVERNMENT FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

	<u>Actual</u>	Less Funds Not Required to be <u>Budgeted</u>	<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
				<u>Original</u>	<u>Final</u>	
Receipts:						
Property and other County tax	\$6,158,301	\$ -	\$6,158,301	\$6,155,722	\$6,155,722	\$ 2,579
Interest and penalty on property tax	36,895	-	36,895	25,000	25,000	11,895
Intergovernmental	7,842,357	-	7,842,357	4,828,102	7,810,439	31,918
Licenses and permits	17,862	-	17,862	13,550	13,550	4,312
Charges for service	814,463	-	814,463	751,980	751,980	62,483
Use of money and property	131,064	-	131,064	178,220	178,220	(47,156)
Miscellaneous	939,857	822,652	117,205	125,950	125,950	(8,745)
Total receipts	<u>15,940,799</u>	<u>822,652</u>	<u>15,118,147</u>	<u>12,078,524</u>	<u>15,060,861</u>	<u>57,286</u>
Disbursements:						
Public safety and legal services	1,720,634	-	1,720,634	1,934,959	1,971,269	250,635
Physical health and social services	2,126,911	-	2,126,911	2,634,445	2,635,945	509,034
Mental health	1,179,181	-	1,179,181	1,090,000	1,406,550	227,369
County environment and education	604,540	-	604,540	797,282	797,282	192,742
Roads and transportation	4,835,343	-	4,835,343	4,037,290	4,717,290	(118,053)
Governmental services to residents	473,038	-	473,038	510,487	510,487	37,449
Administration	896,595	-	896,595	1,101,068	1,111,068	214,473
Non-program	331,283	295,223	36,060	64,725	64,725	28,665
Capital projects	253,590	-	253,590	866,000	1,013,200	759,610
Total disbursements	<u>12,421,115</u>	<u>295,223</u>	<u>12,125,892</u>	<u>13,036,256</u>	<u>14,227,816</u>	<u>2,101,924</u>
Excess (deficiency) of receipts over disbursements	3,519,684	527,429	2,992,255	(957,732)	833,045	2,159,210
Other financing sources (uses)	<u>(526,049)</u>	<u>(536,134)</u>	<u>10,085</u>	<u>5,000</u>	<u>5,000</u>	<u>5,085</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,993,635	(8,705)	3,002,340	(952,732)	838,045	2,164,295
Balance beginning of year	<u>4,995,155</u>	<u>242,886</u>	<u>4,752,269</u>	<u>3,886,654</u>	<u>4,751,181</u>	<u>1,088</u>
Balance end of year	<u>\$7,988,790</u>	<u>\$ 234,181</u>	<u>\$7,754,609</u>	<u>\$2,933,922</u>	<u>\$5,589,226</u>	<u>\$2,165,383</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
BUDGETARY COMPARISON SCHEDULE-BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 20, 2011

	<u>Governmental Funds</u>		
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Modified</u> <u>Accrual</u> <u>Basis</u>
Revenues	\$ 15,940,799	\$ (7,611)	\$ 15,933,188
Expenditures	<u>12,421,115</u>	<u>(486,404)</u>	<u>11,934,711</u>
Net	3,519,684	478,793	3,998,477
Other financing sources, net	(526,049)	-	(526,049)
Beginning fund balances	<u>4,995,155</u>	<u>702,261</u>	<u>5,697,416</u>
Ending fund balances	<u>\$ 7,988,790</u>	<u>\$ 1,181,054</u>	<u>\$ 9,169,844</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING
JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,191,560. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council; for the County Assessor by the County Conference Board; for the E911 System by the E911 Service Board; and for Disaster Services by the Calhoun County Emergency Management Commission.

Included in the funds not required to be budgeted are the drainage districts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the roads and transportation function.

CALHOUN COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 52,892	\$ 52,892	0.00%	\$3,805,000	1.39%
2011	July 1, 2010	-	\$ 52,892	\$ 52,892	0.00%	\$3,900,125	1.35%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, and funded status and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CALHOUN COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

Schedule 1

	Local Option Sales Tax	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Total
<u>ASSETS</u>								
Cash and pooled investments	\$ 137,752	\$ 64,704	\$ 234,181	\$ 5,525	\$ 15,118	\$ 5,627	\$ 41,684	\$ 504,591
Receivables:								
Accounts	-	-	-	-	577	-	3,197	3,774
Interest	-	-	-	-	6	-	-	6
Drainage assessments	-	-	292,630	-	-	-	-	292,630
Due from other governments	10,061	-	-	-	-	-	-	10,061
Total assets	<u>\$ 147,813</u>	<u>\$ 64,704</u>	<u>\$ 526,811</u>	<u>\$ 5,525</u>	<u>\$ 15,701</u>	<u>\$ 5,627</u>	<u>\$ 44,881</u>	<u>\$ 811,062</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 3,273	\$ -	\$ -	\$ -	\$ -	\$ 3,273
Interest payable	-	-	50,699	-	-	-	-	50,699
Deferred revenue	-	-	292,630	-	-	-	-	292,630
Total liabilities	<u>-</u>	<u>-</u>	<u>346,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>346,602</u>
Fund balance:								
Restricted	147,813	14,704	180,209	5,525	15,701	5,627	44,881	414,460
Assigned for park road and pad improvements	-	50,000	-	-	-	-	-	50,000
Total fund balances	<u>147,813</u>	<u>64,704</u>	<u>180,209</u>	<u>5,525</u>	<u>15,701</u>	<u>5,627</u>	<u>44,881</u>	<u>464,460</u>
Total liabilities and fund balances	<u>\$ 147,813</u>	<u>\$ 64,704</u>	<u>\$ 526,811</u>	<u>\$ 5,525</u>	<u>\$ 15,701</u>	<u>\$ 5,627</u>	<u>\$ 44,881</u>	<u>\$ 811,062</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2011

Schedule 2

	Local Option Sales Tax	Resource Enhancement and Protection	Drainage Districts	DARE	Recorder's Records Management	Sheriff's Fund	County Security	Total
Revenues:								
Other County tax	\$ 41,724	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,724
Intergovernmental	-	9,148	-	560	-	-	-	9,708
Charges for services	-	-	-	-	2,167	-	8,225	10,392
Use of money and property	-	38	-	-	47	-	-	85
Miscellaneous	-	6,071	822,652	-	-	-	-	828,723
Total revenues	<u>41,724</u>	<u>15,257</u>	<u>822,652</u>	<u>560</u>	<u>2,214</u>	<u>-</u>	<u>8,225</u>	<u>890,632</u>
Expenditures:								
Operating:								
Public safety and legal services	-	-	-	1,058	-	-	-	1,058
Governmental services to residents	-	-	-	-	3,606	-	-	3,606
Non-program	-	-	210,817	-	-	-	-	210,817
Total expenditures	<u>-</u>	<u>-</u>	<u>210,817</u>	<u>1,058</u>	<u>3,606</u>	<u>-</u>	<u>-</u>	<u>215,481</u>
Excess (deficiency) of revenues over expenditures	<u>41,724</u>	<u>15,257</u>	<u>611,835</u>	<u>(498)</u>	<u>(1,392)</u>	<u>-</u>	<u>8,225</u>	<u>675,151</u>
Other financing sources (uses):								
Operating transfers in	106,089	-	-	-	-	-	-	106,089
Drainage district warrants	-	-	(536,134)	-	-	-	-	(536,134)
Total other financing sources (uses)	<u>106,089</u>	<u>-</u>	<u>(536,134)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(430,045)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>147,813</u>	<u>15,257</u>	<u>75,701</u>	<u>(498)</u>	<u>(1,392)</u>	<u>-</u>	<u>8,225</u>	<u>245,106</u>
Fund balances beginning of year	<u>-</u>	<u>49,447</u>	<u>104,508</u>	<u>6,023</u>	<u>17,093</u>	<u>5,627</u>	<u>36,656</u>	<u>219,354</u>
Fund balances end of year	<u>\$ 147,813</u>	<u>\$ 64,704</u>	<u>\$ 180,209</u>	<u>\$ 5,525</u>	<u>\$ 15,701</u>	<u>\$ 5,627</u>	<u>\$ 44,881</u>	<u>\$ 464,460</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2011

Schedule 3

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS</u>										
Cash and pooled investments:										
County Treasurer	\$ -	\$ 1,904	\$ 96,116	\$ 103,567	\$ 7,519	\$ 46,477	\$ 3,062	\$ 267,106	\$ 99,050	\$ 624,801
Other County officials	58,834	-	-	-	-	-	-	-	-	58,834
Receivables:										
Property tax:										
Delinquent	-	787	1,180	42,970	3,106	46,643	205	-	11	94,902
Succeeding year	-	119,010	216,196	7,395,633	496,998	2,442,040	245,864	-	1,825	10,917,566
Accounts	457	-	-	-	-	-	-	-	12,361	12,818
Due from other governments	-	-	-	-	-	-	-	-	9,379	9,379
Total assets	<u>\$ 59,291</u>	<u>\$ 121,701</u>	<u>\$ 313,492</u>	<u>\$ 7,542,170</u>	<u>\$ 507,623</u>	<u>\$ 2,535,160</u>	<u>\$ 249,131</u>	<u>\$ 267,106</u>	<u>\$ 122,626</u>	<u>\$11,718,300</u>
<u>LIABILITIES</u>										
Accounts payable	\$ -	\$ -	\$ 129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 319	\$ 448
Salary payable	-	-	5,607	-	-	-	-	-	1,185	6,792
Due to other governments	54,574	121,701	307,756	7,542,170	507,623	2,535,160	249,131	267,106	121,122	11,706,343
Trusts payable	4,717	-	-	-	-	-	-	-	-	4,717
Total liabilities	<u>\$ 59,291</u>	<u>\$ 121,701</u>	<u>\$ 313,492</u>	<u>\$ 7,542,170</u>	<u>\$ 507,623</u>	<u>\$ 2,535,160</u>	<u>\$ 249,131</u>	<u>\$ 267,106</u>	<u>\$ 122,626</u>	<u>\$11,718,300</u>

See accompanying independent auditor's report.

CALHOUN COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
 AND LIABILITIES – AGENCY FUNDS
 YEAR ENDED JUNE 30, 2011

Schedule 4

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
Balances beginning of year	\$ 42,257	\$ 138,208	\$ 305,391	\$ 7,495,031	\$ 545,022	\$ 2,375,875	\$ 255,655	\$ 243,779	\$ 112,198	\$11,513,416
Additions:										
Property and other county tax	-	118,647	215,650	7,375,162	495,563	2,486,130	224,711	-	1,820	10,917,683
E911 surcharge	-	-	-	-	-	-	-	-	93,581	93,581
State tax credits	-	6,124	9,189	333,004	24,182	130,736	10,679	-	84	513,998
Office fees and collections	250,170	-	-	-	-	-	-	-	-	250,170
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	3,345,789	-	3,345,789
Assessments	-	-	-	-	-	3,466	-	-	-	3,466
Trusts	89,573	-	-	-	-	-	-	-	-	89,573
Miscellaneous	31	-	3,802	-	-	-	-	-	243,813	247,646
Total additions	339,774	124,771	228,641	7,708,166	519,745	2,620,332	235,390	3,345,789	339,298	15,461,906
Deductions:										
Agency remittances:										
To other governments	234,297	141,278	220,540	7,661,027	557,144	2,461,047	241,914	3,322,462	328,870	15,168,579
Trusts paid out	88,443	-	-	-	-	-	-	-	-	88,443
Total deductions	322,740	141,278	220,540	7,661,027	557,144	2,461,047	241,914	3,322,462	328,870	15,257,022
Balances end of year	\$ 59,291	\$ 121,701	\$ 313,492	\$ 7,542,170	\$ 507,623	\$ 2,535,160	\$ 249,131	\$ 267,106	\$ 122,626	\$11,718,300

See accompanying independent auditor's report.

CALHOUN COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION – ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Schedule 5

Modified Accrual Basis

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:										
Property and other County tax	\$ 6,042,672	\$ 5,674,033	\$ 5,345,023	\$ 4,862,274	\$ 4,834,623	\$ 4,394,827	\$ 4,028,557	\$ 4,504,509	\$ 4,456,391	\$ 4,156,364
Interest and penalty on property tax	36,895	31,505	30,723	31,381	27,190	28,124	22,861	35,254	29,879	38,004
Intergovernmental	7,923,493	4,884,308	4,758,872	5,772,915	5,619,776	6,076,916	5,860,587	5,682,265	5,410,699	5,349,455
Licenses and permits	19,162	16,778	15,498	25,132	8,877	8,072	7,828	9,479	7,235	8,242
Charges for service	873,333	919,544	826,549	1,191,135	827,809	771,814	683,703	829,273	708,429	774,988
Use of money and property	138,453	141,518	170,658	277,837	327,506	267,324	165,447	127,201	155,856	179,681
Miscellaneous	899,180	599,664	217,871	710,367	144,587	446,893	313,523	921,505	511,811	360,928
Total	<u>\$15,933,188</u>	<u>\$12,267,350</u>	<u>\$11,365,194</u>	<u>\$12,871,041</u>	<u>\$11,790,368</u>	<u>\$11,993,970</u>	<u>\$11,082,506</u>	<u>\$12,109,486</u>	<u>\$11,280,300</u>	<u>\$10,867,662</u>
Expenditures:										
Operating:										
Public safety and legal services	\$ 1,711,627	\$ 1,796,321	\$ 1,743,535	\$ 1,246,797	\$ 1,210,321	\$ 1,150,588	\$ 1,374,782	\$ 1,127,485	\$ 1,108,275	\$ 1,026,952
Physical health and social services	2,133,171	2,464,403	2,516,749	3,506,317	3,323,350	3,199,600	3,287,599	3,442,855	3,359,161	3,335,317
Mental health	1,251,283	1,047,115	1,195,894	1,195,363	1,172,381	1,111,901	1,167,669	1,220,833	1,210,341	1,356,194
County environment and education	596,640	597,872	586,866	674,639	590,597	711,907	774,224	535,968	418,674	250,742
Roads and transportation	4,262,182	4,204,058	3,551,781	3,530,344	3,407,286	3,422,375	3,168,461	3,258,877	3,143,472	3,208,499
Governmental services to residents	466,697	455,365	414,838	411,312	377,359	367,729	325,891	303,527	256,362	243,536
Administration	899,804	950,042	937,809	897,791	853,276	815,228	812,006	823,195	763,239	695,371
Non-program	214,867	601,910	698,690	407,737	223,969	359,311	240,342	197,328	399,368	392,708
Capital projects	398,440	229,010	288,425	617,984	559,126	576,827	197,437	410,306	264,945	227,193
Total	<u>\$11,934,711</u>	<u>\$12,346,096</u>	<u>\$11,934,587</u>	<u>\$12,488,284</u>	<u>\$11,717,665</u>	<u>\$11,715,466</u>	<u>\$11,348,411</u>	<u>\$11,320,374</u>	<u>\$10,923,837</u>	<u>\$10,736,512</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Calhoun County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Calhoun County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Calhoun County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Calhoun County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11, I-B-11, and I-C-11 to be material weaknesses.

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Compliance and Other Matters

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Calhoun County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Calhoun County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Calhoun County and other parties to whom Calhoun County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

February 14, 2012

Hungelman, Putzier & Co.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- | | <u>Applicable Offices</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| 1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Auditor, Treasurer,
Recorder, Sheriff |
| 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. | Treasurer, Sheriff,
Recorder |
| 3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Auditor, Treasurer,
Recorder, Sheriff |

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Auditor

1. Auditor's office employees are cross-trained. As to the operating procedures, the mail is opened by the Auditor and distributed, checks are receipted promptly. There are four employees involved in preparing, processing, reviewing and mailing out checks. All checks are mailed promptly.
3. The warrants are reviewed by the Auditor before mailing out. All checks are mailed from the Auditor's office.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (Continued)

Response – Treasurer – I have begun to implement small but positive steps to segregate duties. I personally open all the mail and rotate processing so that motor vehicle personnel process tax mail and tax personnel process motor vehicle mail. That insured that those opening, processing and balancing the collections were different people. I am still insisting that I open the mail. I once again reiterate how difficult it is in an office with only five employees to totally segregate duties. This issue comes up every year and is a “solution in progress”.

Response – Recorder – When it comes to duties within the office of Recorder, I have myself and my full time deputy. Approximately twice a week, I also employ the previous retired Recorder to help me with paperwork of filing vital records, boats, snows & atv's, and to help me maintain my daily tasks. I generally open the daily mail, but in my absence, my deputy will do this. I reconcile by bank account each month and write out and sign required checks. On occasion, I have my part time employee balance the bank statement. All my duties must be shared by my staff in the event of my absence. This office strives for protocol and maintains a professional attitude and awareness to the citizens and customers of Calhoun County.

Response – Sheriff – As always we try and do our best with the resources we have. All recommendations will be taken into consideration and the sheriff's office will do their best to maintain high integrity concerning the County's finances.

Conclusion – Response accepted.

- I-B-11 Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining GAAP knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – We have addressed this control risk by engaging certified public accountants to prepare the financial statements. We have also appointed persons with sufficient knowledge to evaluate the preparation of the financial statements, and have reviewed and accepted the financial statements. There are sessions as part of our ISAC (Iowa State Association of Counties) training that are attended when available.

Conclusion – Response accepted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (Continued)

- I-C-11 Cash and Investments Reconciliation - Cash and investments have not reconciled to the general ledger balance during the year ended June 30, 2011.

Recommendation - Reconciliations of cash and investments should be done promptly following the end of every month and any variance should be thoroughly investigated until located.

Response – As County Treasurer, I must take responsibility for balancing and reconciling, but I would also like to respond by saying that all departments need to be more responsible for making sure that monies are brought to the Treasurer's office in a timely manner for receipting. Some departments do not give us timely notifications of monies they receive, which in turn become an end-of-the-month balancing issued. The State offices have tried to give better notification to the local government but there is sometimes still a lapse. The Treasurer's office has become much better at checking bank deposits online on a more regular basis to avoid non-receipts. Also, departments need to be aware when they are making corrections/adjustments that they are doing so correctly. I do not know when other departments make corrections and if they are not made properly, these changes sometimes become very difficult to find and reconcile. The Treasurer is striving harder to be much more thorough.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the Roads and Transportation function. Disbursements in the Medical Examiner department exceeded appropriations prior to the budget amendments.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will monitor the expenditures and amend the budget as needed.

Conclusion – Response accepted.

- II-B-11 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-11 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-D-11 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Anderson Construction, owned by the spouse of an Assessor's office employee	Well closure	\$ 310
Trae's Tree service, owned by Trae Thomas, Sheriff employee and EMT	Tree trimming	\$ 411
Norine TV, owned by spouse of an Auditor's office employee	Televisions in Featherstone Cabin	\$1,726
Cindy Voorde, County Attorney	Building Rent	\$3,950

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with the County Attorney and Norine TV may represent a conflict of interest since the total transactions were more than \$1,500 during the fiscal year.

Recommendation – The County should review those transactions closely and may want to consult their attorney to determine that they are in compliance with the Code of Iowa.

Response – The televisions were purchased from Norine TV because they are the only local business that will also service the equipment. Iowa Code Section 331.322(5) requires the Board to furnish office space to the County Attorney but there is no space currently available in the Courthouse. The County has rented space from the County Attorney for many years and the rents paid have been reasonable.

Conclusion – The Board should monitor all related party transactions periodically to be sure the County is in compliance with the Code of Iowa.

- II-E-11 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- II-H-11 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

CALHOUN COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-I-11 County Extension Office - The County Extension office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011, for the County Extension office did not exceed the amount budgeted.

- II-J-11 Excess Balance - The following funds have balances at June 30, 2011, in excess of one year's expenditures:

Special Revenue – County Security
Capital Projects

Recommendation - While it appears that these funds may have an excessive balance, this can usually be justified if the County has a specific plan for future expenditures. The County should consider the necessity of maintaining these substantial balances and, where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response - Special Revenue County Security – In 1999, Calhoun County formed a courthouse security committee. Somehow we took over making decisions on where the funds collected under 356.7 would be spent. While the Sheriff has always been a member of the committee, he was not the one making the decision as to where the money was spent and the “plan or recommendations” have not been approved by the board of supervisors during the budget process. Instead the committee has met approximately yearly and made recommendations for security improvements and security expenditures.

It would seem that we have taken the Sheriff’s funding decisions from him and appropriated them to our committee. At this point, we should ask the Sheriff to decide how he wants to proceed with this money.

Response - Capital Projects – We have now completed six offices for windows and are planning to continue window projects until the entire courthouse is done. This will probably be done in two years. There are dollars in the Capital Project account for election equipment. There are also funds assigned for replacing heating units, the ambulance building, and replacement of computer equipment and software.

Conclusion – Response accepted.

- II-K-11 Public Bidder Property - There are properties in the County which currently owe approximately \$42,000 in delinquent property taxes. These properties are currently in “public bidder” status.

Recommendation - The Treasurer should confer with the County Attorney to determine appropriate remedies to settle these accounts.

Response – The Treasurer and the County Attorney have consulted on these properties and have taken steps to complete the tax sale process for properties that are worth the time and expense and will not be a liability to the county. Some of these properties are of such a nature to be a liability to the county and it would not be advisable to gain title. Others are labor and cost intensive and will be addressed when time and money is available.

Conclusion – Response accepted.